

**Sheryl (Sherry) L. Herauf**  
Director  
Federal Regulatory Relations

1275 Pennsylvania Avenue, N.W., Suite 400  
Washington, D.C. 20004  
(202) 383-6424

**PACIFIC**  **TELESIS**  
Group - Washington

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

November 14, 1994

**Mr. William Caton**  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554


Dear Mr. Caton:

Re: *CC Docket No. 92-296*  
*Simplification of the Depreciation Prescription Process*

On behalf of **Pacific Bell and Nevada Bell** please find enclosed an original and six copies of their "*Comments*" in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



Enclosures

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of

Simplification of the Depreciation  
Prescription Process

CC Docket No. 92-296

COMMENTS OF PACIFIC BELL AND NEVADA BELL

Pacific Bell and Nevada Bell ("the Pacific Companies") respectfully submit their comments in response to the Further Order Inviting Comments, released October 11, 1994 in the above-captioned proceeding.<sup>1</sup>

In addition, the Pacific Companies wish to acknowledge their participation in the comments to be filed by the United States Telephone Association (USTA). The Pacific Companies support the recommendations made by USTA and urge the Commission to act on them.

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<sup>1</sup> Simplification of the Depreciation Prescription Process, CC Docket No. 92-296, Further Order Inviting Comments, released October 11, 1994, ("FOIC").

The Pacific Companies reiterate their support for the Commission's adoption of a plan to simplify the depreciation prescription process for price cap carriers. Initially, in phase one, the Commission established a basic factor range plan for 22 plant categories.<sup>2</sup> The plan required that basic factor ranges be established for the projection life and the future net salvage for the 22 accounts.<sup>3</sup> These ranges were based on +/- one standard deviation from the industry-wide mean of basic factors of the then current prescribed rates.<sup>4</sup> In the FOIC, the Commission proposes to establish ranges for eight of the remaining twelve plant categories (phase two). In establishing these ranges, the Commission proposes to use the same methodology used in establishing the ranges in phase one.

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<sup>2</sup> Although the Commission intends to adopt ranges for all categories, Phase I of its implementation plan only addressed 22 plant categories. See Simplification of the Depreciation Prescription Process, CC Docket No. 92-296, Second Report and Order, FCC 94-174, released June 28, 1994.

<sup>3</sup> Second Report and Order, at para. 13.

<sup>4</sup> Simplification of the Depreciation Prescription Process, CC Docket No. 92-296, Report and Order, FCC 93-452, released October 20, 1993 at para. 62.

- I. The proposed projection life ranges for certain accounts do not reflect the effect of future technology and, as a result, are not short enough.

The FOIC explains that projection life ranges were developed by adding and subtracting one standard deviation from the mean of basic factors underlying the then currently prescribed LEC depreciation rates.<sup>5</sup> Once these numbers were determined, the Commission then examined technological trends or recent changes in carrier investment plans that might not be fully reflected in the LEC's prescribed factors.<sup>6</sup> Finally, the number of LECs with basic factors that fell within the initial ranges were considered and the ranges were altered where appropriate.<sup>7</sup>

The Pacific Companies generally agree, in principle, with how the Commission formulates the projection life ranges. It is imperative that the Commission properly assess market and technological trends when establishing the projection life ranges. In our opinion, the ranges for phase two, as proposed by the Commission, do not adequately reflect such considerations. Specifically, the Pacific Companies are

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<sup>5</sup> FOIC at para. 4.

<sup>6</sup> FOIC at para. 4.

<sup>7</sup> FOIC at para. 4.

concerned that the projection life ranges for Account 2220, Digital Switching; Account 2232, Circuit Equipment; Account 2421, Aerial Cable; and Account 2423, Buried Cable do not fully appreciate the rapid pace at which new technology is implemented in the competitive marketplace. Thus, while these ranges may reflect the current prescribed factors based on historical data, market and technological advancements have already rendered these lives obsolete.

- II. The proposed future net salvage range for Account 2411, Poles should be adjusted downward.

The Commission recognizes that the number of carriers with basic factors that fall within the proposed range should be considered when determining the actual range width for any one account.<sup>8</sup> Our review of industry data indicates that there is a wide dispersion of carriers both above and below the proposed future net salvage range for poles. Specifically, Pacific Bell's future net salvage for poles (-110%) is 35 percentage points below the range. As a result, we will have to submit a study for our Poles Account notwithstanding the fact our projected life range for the

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<sup>8</sup> Report and Order at para. 62.

account is within the Commission's proposed range. As the costs for pole disposal continues to rise, more carriers will find themselves in a similar situation and will be unable to use the streamlined process.

### III. Conclusion.

The telecommunications industry is at an important point in its development and the Pacific Companies appreciate the efforts of the Commission to simplify the depreciation prescription process. However, because the proposed ranges for certain accounts are not sufficiently forward-looking, the Commission is effectively undermining its own efforts. If competition and new technology are to be encouraged, it is

important that the Commission reconsider its proposed ranges  
and adjust them downward.

Respectfully submitted,

PACIFIC BELL  
NEVADA BELL

*Lucille M. Mates*

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JAMES P. TUTHILL  
LUCILLE M. MATES

140 New Montgomery Street, Rm. 1526  
Sixteenth Floor  
San Francisco, California 94105  
(415) 542-7654

JEFFREY P. GRAY  
Student Intern

JAMES L. WURTZ

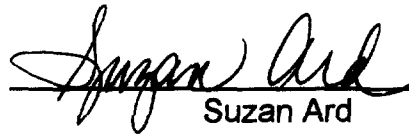
1275 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 383-6472

Their Attorneys

Date: November 14, 1994

CERTIFICATE OF SERVICE

I, Suzan Ard, hereby certify that copies of the foregoing "COMMENTS OF PACIFIC BELL AND NEVADA BELL", in CC Docket 92-296, were served by hand or by first class mail, postage prepaid, upon the parties appearing on the attached service list this 14th day of November, 1994.

  
Suzan Ard



Service List  
CC Dkt 92-296

Thomas E. Taylor  
Attorney for Cincinnati Bell  
2500 PNC Center  
201 East Fifth St.  
Cincinnati, OH 45202

Eric Witte  
Attorney for Missouri PSC  
P.O. Box 360  
Jefferson City, MO 65102

Ellen S. Levine  
Attorney for CPUC  
505 Van Ness Ave.  
San Francisco, CA 94102

Floyd S. Keene  
Attorney for Ameritech  
2000 W. Ameritech Center Dr.  
Room 4H88  
Hoffman Estates, IL 60196

Cheryl L. Parrino  
Chairman, Wisconsin PSC  
4802 Sheboygan Ave.  
P.O. Box 7854  
Madison, WI 53707-7854

Maribeth D. Snapp  
Attorney for Oklahoma PUD  
400 Jim Thorpe Office Bldg.  
Oklahoma City, OK 73105

Ron Eachus  
Chairman, Oregon PUC  
550 Capitol St., N.E.  
Salem, OR 97310-1380

Frank E. Landis  
Chairman, Nebraska PSC  
300 The Atrium  
Lincoln, NE 68508

Ronald G. Choura  
Policy Div-Michigan PSC  
6545 Mercantile Way  
P.O. Box 30221  
Lansing, MI 48909

Edward C. Addison  
Chairman, Virginia State Corp. Comm.  
P.O. Box 1197  
Richmond, VA 23209

Robert E. Tenner  
Chairman, Colorado PUC  
Office Level 2 (OL-2)  
1580 Logan St.  
Denver, CO 80203

William J. Cowan  
Attorney for NY State Dept of Public Svc  
Three Empire State Plaza  
Albany, NY 12223

\* Service by hand

Michael McRae  
DC Office of People's Counsel  
1133 15th St., N.W.  
Suite 500  
Washington, D.C. 20005

Phillip F. McClelland  
Pennsylvania Office of Consumer Advocate  
Office of Attorney General  
1425 Strawberry Square  
Harrisburg, PA 17120

Tim Seat  
Indiana Office of Utility Consumer  
100 N. Senate Ave., Rm. N 501  
Indianapolis, IN 46204

Charles Beck  
Florida Office of Public Counsel  
812 Claude Pepper Bldg.  
111 West Mochian St.  
Tallahassee, FL 32399

Jerry Webb - Chief Engineer  
Indiana Utility Regulatory Commission  
Indiana Government Center South  
302 W. Washington St., Rm. E306  
Indianapolis, IN 46204

Leo M. Reinbold  
President, PSC of North Dakota  
State Capitol  
Bismark, ND 58505

Larry F. Fuller  
Utah Division of Public Utilities  
160 East 300 South  
P.O. Box 45807  
Salt Lake City, UT 84145-0807

Rowland L. Curry  
Texas PUC  
7800 Shoal Creek Boulevard  
Austin, TX 78757

Stephanie Miller  
Idaho PUC  
472 West Washington St.  
Boise, ID 83702

Christopher W. Savage  
Attorney for Bell Atlantic  
1710 H St., N.W.  
Washington, D.C. 20006

Martin T. McCue  
VP/Attorney for USTA  
1401 H St., N.W., Suite 600  
Washington, D.C. 20005-2136

Jay C. Keithley  
Attorney for United Telephone  
1850 M St., N.W., Suite 1100  
Washington, D.C. 20036

William B. Barfield  
Attorney for BellSouth  
1155 Peachtree St., N.E., Ste. 1800  
Atlanta, GA 30367-6000

W. Richard Morris  
United Telephone-Southeast, Inc.  
P.O. Box 11315  
Kansas City, MO 64112

Allie B. Latimer  
Attorney for GSA  
18th & F Streets, N.W., Rm. 4002  
Washington, D.C. 20405

Francine J. Berry  
Attorney for AT&T  
295 North Maple Ave., Rm. 3244J1  
Basking Ridge, NJ 07920

Elizabeth Dickerson  
Manager, MCI  
1801 Pennsylvania Ave., N.W.  
Washington, D.C. 20006

Campbell L. Ayling  
Attorney for NYNEX  
120 Bloomingdale Road  
White Plains, NY 10605

James T. Hannon  
Attorney for US West  
1020 19th St., N.W., Ste. 700  
Washington, D.C. 20036

Linda D. Hershman  
VP-Southern New England Telco  
227 Church St.  
New Haven, CT 06510

Austin J. Lyons  
Telecommunications Division  
Tennessee PSC  
460 James Robertson Parkway  
Nashville, TN 37243

Jeff Goltz  
Washington Utilities/Transportation Comm  
P.O. Box 47250  
Olympia, WA 98504-7250

Howard Krongard  
Attorney for Deloitte & Touche  
1633 Broadway  
New York, NY 10019

Richard McKenna  
Attorney for GTE Service Corp.  
P.O. Box 152092  
Irving, TX 75015-2092

Gail L. Polivy  
Attorney for GTE Service Corp.  
1850 M St., N.W., Ste. 1200  
Washington, D.C. 20036

Frank W. Lloyd  
Attorney for CCTA  
701 Pennsylvania Ave., N.W., Ste. 900  
Washington, D.C. 20004

James E. Taylor  
Attorney for Southwestern Bell  
One Bell Center, Ste. 3520  
St. Louis, MO 63101

Doug Eidahl  
Attorney for South Dakota PUC  
500 E Capitol St.  
Pierre, SD 57501

Paul Rogers  
Attorney for NARUC  
1102 ICC Building  
P. O. Box 684  
Washington, D.C. 20044